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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000377

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SENSITIVE

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TAGS: [ECON](#) [PGOV](#) [EINV](#) [EFIN](#) [EIND](#) [EMIN](#) [GV](#)
SUBJECT: CNDD TURNS GREEN

REF: CONAKRY 00366

Classified By: ECONOFF BRIANA WARNER FOR REASONS 1.4 (B) AND (D)

¶11. (C) Summary: The Ministry of Environment (MOE) publicly closed the Societe Aurifere de Guinee (SAG) mine in early June and demanded \$10 million USD as compensation for environmental degradation to reopen the area. The Ministry of Mines (MOM) was caught unaware of the decision made by MOE Minister Papa Koly Kourouma, a close ally of CNDD President Moussa Dadis Camara, and is currently lobbying the MOE to reverse its position. Representatives from the two other gold mining companies in Guinea fear that current government actions reveal wide-scale extortion by the CNDD, and foreshadow future infringements on mining operations. END SUMMARY.

BACKGROUND

¶12. (SBU) The SAG mine in Siguiri is Anglo-Ashanti Gold's sole operation in Guinea, accounting for nearly 6% of the South African-British company's gold output. Though Guinea is thought to be rich in gold reserves, Ashanti remains the only large international gold mining company with investments in the country. The two other gold companies in Guinea, Societe d'Exploitation Miniere d'Afrique de l'Ouest-Guinee (SEMAFO) and Societe Miniere de Dinguiraye (SMD) are both much smaller operations with their output almost exclusively mined in Guinea. Despite several exploratory visits by representatives of other large, multinational corporations, most of them failed to invest as a result of rampant corruption within the GOG, poor transportation facilities, and political instability.

\$20,000 USD PER EVERY CUBIC METER

¶13. (C) Dadis publicly denounced SAG and threatened to close the mining facility several times since December. In March, Dadis halted SAG's mining operations, claiming that SAG officials failed to attend a mandatory meeting between the CNDD and mining companies. Despite the fact that several SAG employees and other witnesses claim that at least three members of the company were present at the meeting, their operations remained closed for five days. In April, Dadis again called on SAG to attend a meeting where he proceeded to declare that their contract, created under the direction of the Lansana Conte regime, was "defective," and should be reviewed. According to Dadis, if the contracts are not revised to favor CNDD positions on the environment and profit sharing, he would "prefer to close the gold mines and turn to

other sectors."

¶4. (SBU) Last month, MOE Minister Papa Koly publicly denounced SAG for supposed environmental degradation, and demanded that they pay \$20,000 USD for every cubic meter of land that was destroyed by mining pits. Although he initially demanded \$250 million USD, he later decided that \$10 million USD would be a sufficient payment for SAG to reopen.

¶5. (C) Although SAG claims to have followed all mining and environmental codes in Siguiri, they have tried to resolve this conflict by suggesting an external environmental rehabilitation fund be set up. The company would then directly use this money to restore the environment to the wishes of the CNDD without giving them direct access to the funds. According to Mamoudou Diallo, President of the Chamber of Mines and Head of SEMAFO, SAG fears that MOE Minister Papa Koly will use the funds for his own personal benefit, not for the rehabilitation of the mining area. The MOE has repeatedly rejected SAG's calls for such a fund.

¶6. (C) The Secretary General of Mines, Aboubacar Kourouma, noted that the MOM was caught unaware of the closure when contacted by a SAG representative. He said that Papa Koly had never discussed SAG with anyone at the MOM, and that they will fight against the MOE to reopen SAG. He also mentioned that Papa Koly cannot legally close the mine, as SAG has complied with all mining and environmental codes.

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¶7. (C) Papa Koly, like Dadis, is from the Forest Region of Guinea and is widely considered to have the ear of Dadis. According to Mamoudou Diallo, Papa Koly often visits with Dadis at strange hours and always seems more involved with the mining industry than with environmental issues. He also allegedly influences many of Dadis' decisions to extort economic actors.

¶8. (C) According to Diallo, SAG is the primary target of aggression in the gold industry because it is the largest of the three companies and has multiple international investments. All three companies, however, have experienced harassment by small groups of uniformed soldiers who come into the mining areas and demand bricks of gold from the companies, mining pits. When it is explained that gold bars, in fact, do not come directly out of the ground, the soldiers often become irate and insistent. Diallo has heard that Papa Koly made the same request to SAG when he visited Siguiri.

¶9. (C) Diallo told Econoff that SEMAFO and SMD fear the same sort of government aggression toward their companies. He alleges that the government is convinced that mining contracts hold no weight, as the precious metals belong solely to Guinea. As such, they can control what the mines are doing and what profit is taken to line their own pockets. Diallo said that this has made SMD consider permanently closing their operations.

COMMENT

¶10. (C) Although most of the GOG budget comes from mining, the general mining sector in Guinea is weak. While Guinea has over forty percent of the world's bauxite and an unknown amount of precious metals, iron, and gems, there are few companies who are willing to risk investing in the unstable market. The closing of SAG highlights exactly why large international investors have shied away from creating

large-scale mining contracts in Guinea. The CNDD has said that it will review all corporate contracts (reftel) and revoke licenses where they see fit, further destabilizing the market. What seemed to scare Diallo the most is that the government has little ability to handle the economic problems and little understanding of the consequences of their actions. Without investment in the mining sector of Guinea, the government may see a massive decrease in revenues, further halting their ability to implement substantive social and economic programs in the country.

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